

CITY OF CORNING, IOWA

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD  
JULY 1, 2015 THROUGH JUNE 30, 2016

CITY OF CORNING, IOWA  
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CITY OF CORNING, IOWA  
OFFICIALS  
June 30, 2016

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2016)		
Courtney Turnis	Mayor	January, 2016
Guy Brace	Council Member	January, 2018
Dick Blazek	Council Member	January, 2018
Bert Peckham	Council Member	January, 2016
Judith Butcher	Council Member	January, 2016
Wayne Moore	Council Member	January, 2016
Iona Allen	City Clerk/Treasurer	January, 2016
Andrew Zimmerman	City Attorney	January, 2016
(After January, 2016)		
Janice Leonard	Mayor	January, 2018
Wayne Moore	Council Member	January, 2020
Jerry Peckham	Council Member	January, 2018
Adam Goodvin	Council Member	January, 2020
Dick Blazek	Council Member	January, 2018
Bert Peckham	Council Member	January, 2020
Iona Allen	City Clerk/Treasurer	January, 2018
Andrew Zimmerman	City Attorney	January, 2018

# Gronewold, Bell, Kyhnn & Co. P.C.

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor  
and Members of City Council

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Corning for the period July 1, 2015 through June 30, 2016. The City of Corning's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2016 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

To the Honorable Mayor  
and Members of City Council

7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
9. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
10. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
11. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Corning, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Corning, and other parties to whom the City of Corning may report. This report is not intended to be and should not be used by anyone other than these specified parties.

*G. Mewald, Ben, Kynan & G. P. C.*

Atlantic, Iowa  
January 6, 2017

## DETAILED RECOMMENDATIONS

## CITY OF CORNING, IOWA

### Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparation and distribution.
- (5) Financial reporting - preparing and reconciling.
- (6) Journal entries - preparing and journalizing.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) City Council Meeting Minutes - Chapter 380.7 of the Code of Iowa requires minutes of all City Council proceedings be properly signed. Minutes for two of the four meetings tested were not properly signed.

Recommendation - The City should comply with the Code of Iowa and authorize City Council minutes with proper signature, as required.

- (C) Certified Budget - Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the public works, community and economic development, general government, capital projects, and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (D) Deficit Balances - There are several funds that have deficit cash balances at year end.

Recommendation - The City should make appropriate transfers to eliminate the deficit cash balances.

CITY OF CORNING, IOWA

Detailed Recommendations - Continued

For the period July 1, 2015 through June 30, 2016

- (E) Payment of General Obligation Bonds - Principal and interest on the City's general obligation aquatic center and fire station bonds were paid from the Capital Projects, Aquatic Center and Fire Department Building Funds. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.".

Recommendation - The City should transfer from the Capital Projects, Aquatic Center and Fire Department Building Funds to the Debt Service Fund for future funding contributions. Payments on the bonds should be made from the Debt Service Fund as required.

- (F) Road Use Tax Expenditures - The City recorded expenditures incurred for the mowing of city parks, lake area and cemetery in the Road Use Tax fund. These expenditures do not appear to meet the limitation on the use of the Road Use Tax funds per Chapter 312.6 of the Code of Iowa.

Recommendation - The City should identify the amount of mowing expenditures recorded in the Road Use Tax fund and make a transfer from the General fund to reimburse the Road Use Tax fund for these expenditures. In the future, only expenditures that meet the limitation on the use of these funds per Chapter 312.6 of the Code of Iowa should be recorded in the Road Use Tax fund.

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